



U.S.-African Trade Profile

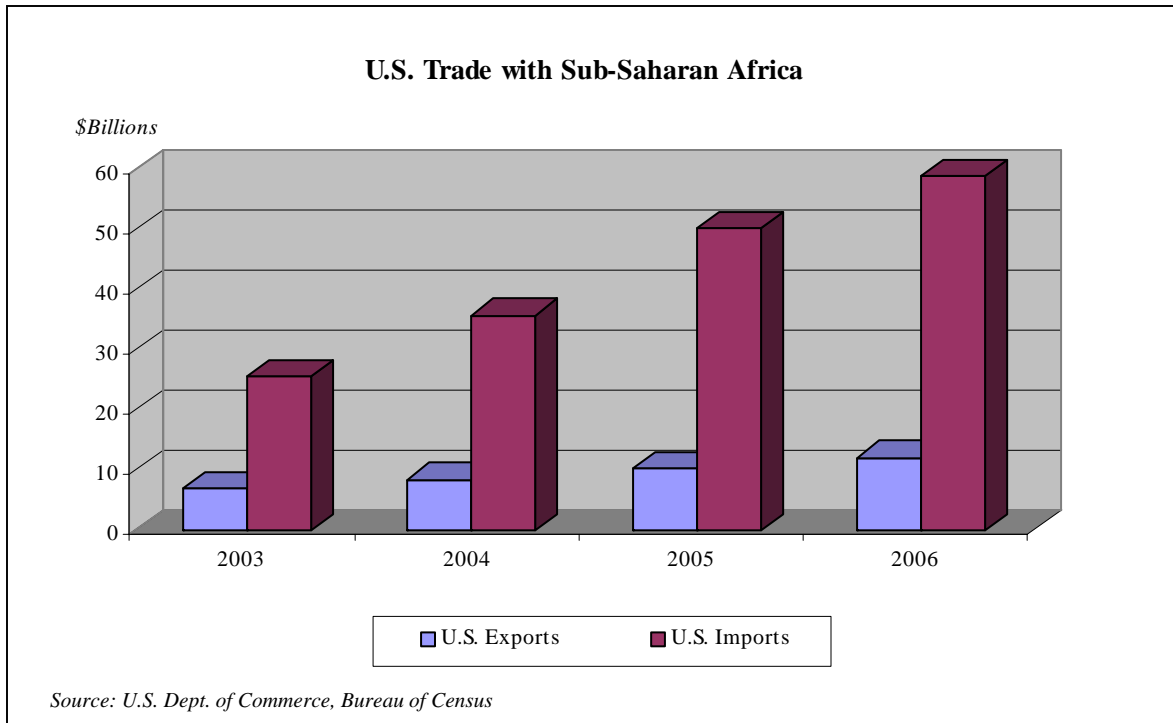
<i>U.S. Trade with Sub-Saharan Africa</i> (<i>\$ Millions</i>)				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<i>U.S. Exports</i>	6,870.9	8,438.5	10,342.6	12,116.8
<i>U.S. Imports</i>	25,633.3	35,879.5	50,364.6	59,175.2

Source: U.S. Dept. of Commerce, Bureau of Census

U.S. total trade with Sub-Saharan Africa (exports plus imports) increased 17 percent in 2006, as both exports and imports grew. U.S. exports increased by 17 percent to \$12.1 billion, driven mainly by increases in machinery (including parts for oil field equipment and gas turbines), aircraft, vehicles and parts, electrical machinery (including telecommunications equipment), and non-crude oil. U.S. imports rose 17 percent from 2005 to \$59.2 billion. A 20 percent increase in crude oil imports caused most of the overall growth, as well as smaller increases in imports of platinum, diamonds, and iron and steel. Trade between the United States and Sub-Saharan Africa is highly concentrated, with a small number of African countries accounting for an overwhelming share of the total for both imports and exports.

- Of the top five African destinations for U.S. products, exports to South Africa rose by 14 percent, to Nigeria by 38 percent, to Angola by 67 percent (partly due to a large increase in aircraft sales to the country), and to Equatorial Guinea by 96 percent (mainly due to an increase in the export of oil field equipment and parts to the country). Exports to Kenya declined by 17 percent, mainly due to a decline in aircraft sales to the country.
- U.S. imports continued to increase from oil producing countries with imports from Nigeria growing by 15 percent, from Angola by 38 percent, from the Republic of Congo by 91 percent, from Chad by 28 percent, and from Equatorial Guinea by 11 percent. Sub-Saharan Africa's share of the U.S. oil market is growing and is virtually identical to the Middle East's share in 2006. Imports from South Africa rose by 28 percent, driven by increases across several product groups including platinum, diamonds, iron and steel, passenger vehicles and parts, and aluminum.

- In 2006, U.S. imports under the African Growth and Opportunity Act (AGOA) were \$44.2 billion, 16 percent more than in 2005.¹ This figure includes duty-free imports from AGOA-eligible countries under both the pre-existing U.S. Generalized System of Preferences (GSP) and the expanded AGOA GSP, plus textile and apparel imported duty-free and quota-free under AGOA provisions.



- Petroleum products continued to account for the largest portion of AGOA imports with a 93 percent share of overall AGOA imports. With these fuel products excluded, AGOA imports were \$3.2 billion, increasing by seven percent. AGOA imports of transportation equipment grew by 81 percent to \$495.3 million, entirely due to an increase in the import of passenger vehicles and parts from South Africa. Other sectors experiencing growth included AGOA imports of minerals and metals with an increase of 21 percent to \$596.3 million and AGOA imports of agricultural products with an increase of 33 percent to \$360.8 million. AGOA textile and apparel imports fell by 11 percent to \$1.3 billion, and AGOA chemicals and related product imports declined by 14 percent to \$284.7 million.
- The top five AGOA beneficiary countries included Nigeria, Angola, South Africa, Chad, and Gabon. Other leading AGOA beneficiaries included the Republic of Congo, Lesotho, Kenya, Madagascar, Mauritius, and Cameroon.

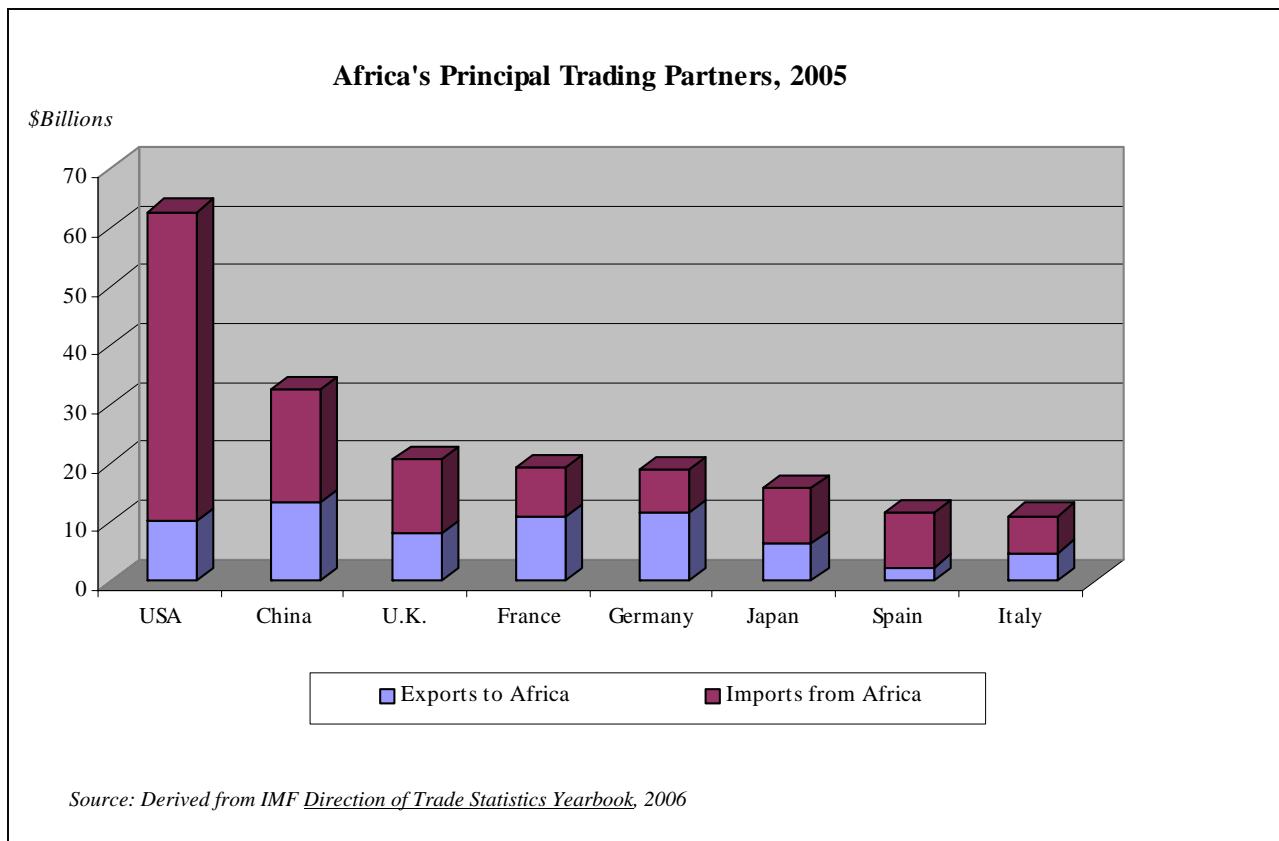
¹ Note that AGOA imports are imports for consumption, while all other import figures are general imports. Imports for consumption include only those goods as they enter the U.S. economy for consumption. General imports include all goods as they cross the U.S. border, including those destined for bonded warehouses or foreign trade zones.

- The U.S. merchandise trade deficit with Sub-Saharan Africa continued to widen in 2006 to \$47.1 billion, from \$40.0 billion in 2005. Nigeria, Angola, South Africa, and the Republic of Congo accounted for 89 percent of the U.S. trade deficit with Sub-Saharan Africa in 2006.

Africa's Global Trade²

Sub-Saharan Africa's total merchandise imports continued to increase in 2005 (the latest year available), growing 20.0 percent to \$173.4 billion, compared to somewhat higher growth of 32.6 percent in 2004. South Africa and Nigeria accounted for almost half of Sub-Saharan Africa's total imports with a 45.4 percent share. In 2005, South Africa's imports increased by 15.0 percent to \$54.2 billion, and Nigeria's imports increased by 19.7 percent to \$24.4 billion. Based on a review of some of the major suppliers to Sub-Saharan Africa, no single sector appears to account for the majority of the growth in Sub-Saharan African imports. Instead, the imports appear to be spread over a range of sectors, including a variety of electrical and other machinery, refined oil, telecommunications equipment, vehicles, aircraft, iron and steel products, pharmaceutical products, medical equipment, apparel and footwear, ocean tankers, and wheat.³

Sub-Saharan Africa's total merchandise exports were \$177.3 billion in 2005, a 27.0 percent increase, almost identical to the 27.2 percent increase in 2004. In 2005, South Africa and Nigeria accounted for 53.6 percent of Sub-Saharan Africa's total exports. South Africa's exports grew by 13.2 percent to \$51.6 billion and Nigeria's exports grew by 30.5 percent to \$43.5 billion.



² Unless otherwise noted, the data in this section is derived from the *Direction of Trade Statistics Yearbook* (Washington, DC: International Monetary Fund, September 2006).

³ Based on a review of European Union, United States, China, Japan, and South Africa trade data in the World Trade Atlas.

Sub-Saharan Africa's 27.0 percent increase in exports outpaced total world exports, which grew at 13.4 percent, and developing country exports, which grew at 21.1 percent. Sub-Saharan Africa, however, accounted for only 1.7 percent of world trade in 2005, only slightly higher than its 1.5 percent share in 2004.

Shares of Africa's Import and Export Markets⁴

Sub-Saharan Africa accounts for slightly more than one percent of U.S. merchandise exports, and slightly more than three percent of U.S. merchandise imports, of which about 80 percent are petroleum products. Similarly, Sub-Saharan Africa accounts for a little more than one percent of both EU merchandise exports and imports. The United States is Africa's largest single country market, purchasing 29.6 percent of the region's exports in 2005. China came in a distant second at 10.9 percent, and the United Kingdom was third at 7.1 percent. The EU purchased 34.4 percent of Sub-Saharan Africa's exports, down from 36.2 percent in 2004.

<i>Sub-Saharan Africa's Principal Trading Partners</i> (<i>\$ Billions and Market Share</i>)				
	<u>2004</u>	<u>% Share</u>	<u>2005</u>	<u>% Share</u>
<u>Sub-Saharan Africa's Imports</u>				
<i>China</i>	9.9	6.9%	13.4	7.7%
<i>Germany</i>	10.7	7.4%	11.7	6.7%
<i>France</i>	9.8	6.8%	10.8	6.2%
<i>United States</i>	8.5	5.9%	10.3	5.9%
<i>United Kingdom</i>	7.4	5.1%	8.1	4.7%
<i>Japan</i>	5.7	4.0%	6.3	3.6%
<i>Italy</i>	4.0	2.8%	4.8	2.8%
<i>Spain</i>	2.0	1.4%	2.4	1.4%
<i>Total EU</i>	47.7	33.0%	54.3	31.3%
<u>Sub-Saharan Africa's Exports</u>				
<i>United States</i>	37.8	27.1%	52.4	29.6%
<i>China</i>	14.5	10.4%	19.3	10.9%
<i>United Kingdom</i>	11.3	8.1%	12.6	7.1%
<i>Japan</i>	8.3	5.9%	9.4	5.3%
<i>Spain</i>	7.0	5.0%	9.1	5.2%
<i>France</i>	7.0	5.0%	8.6	4.8%
<i>Germany</i>	6.3	4.5%	7.1	4.0%
<i>Italy</i>	5.4	3.9%	6.3	3.6%
<i>Total EU</i>	50.6	36.2%	61.0	34.4%
<i>Source: Derived from IMF <u>Direction of Trade Statistics Yearbook</u>, 2006</i>				

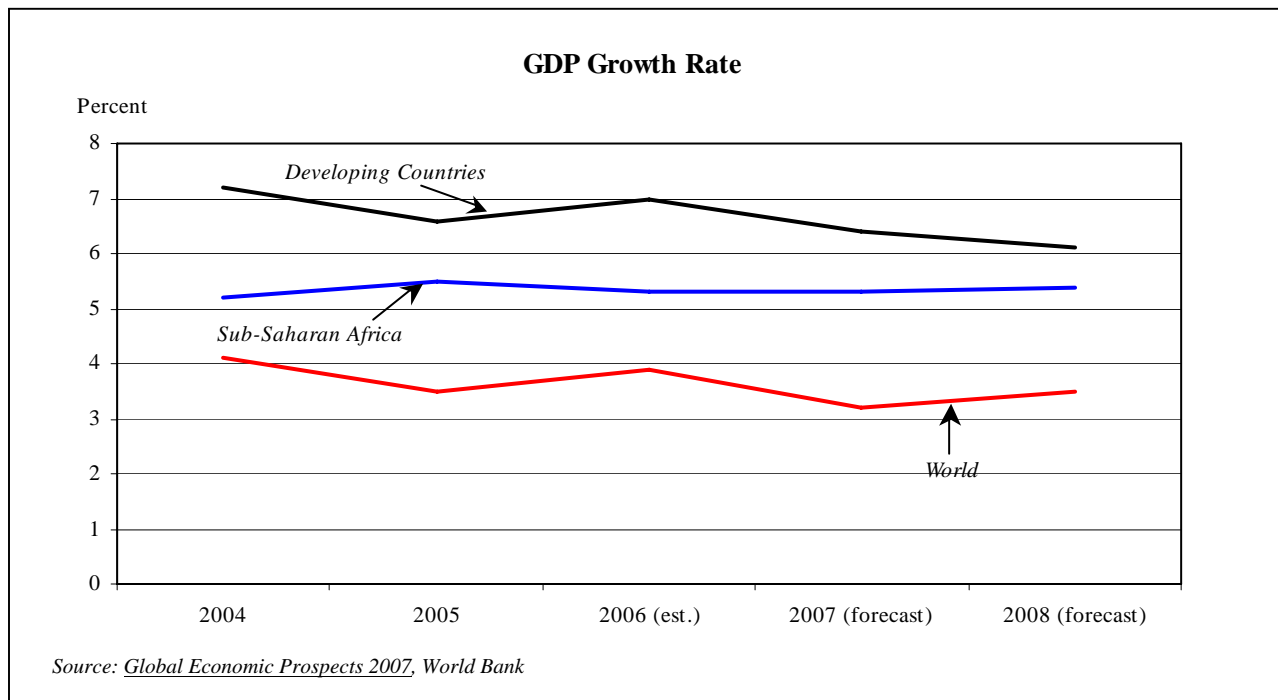
⁴ The data in this section is derived from the *Direction of Trade Statistics Yearbook* (Washington, DC: International Monetary Fund, September 2006).

- The U.S. market share in Sub-Saharan Africa remained constant in 2005 at 5.9 percent, with \$10.3 billion in exports to the region.
- In 2005, for the first time, China became the largest individual country exporter to Sub-Saharan Africa with a market share of 7.7 percent and \$13.4 billion in exports to the region. China's exports to the region grew by 35.2 percent from 2004. Increased shipments of electrical and other machinery, motorcycles, woven fabrics, iron and steel products, woven and knit apparel, and low-end footwear comprised the largest share of China's growth in shipments to Sub-Saharan Africa.
- The market share in Sub-Saharan Africa of all major industrial countries either declined or remained constant from 2004 to 2005.
- The market share in Sub-Saharan Africa of the EU as a whole also decreased to 31.3 percent.
- South Africa maintained its share of the African market with a 4.0 percent share. South Africa exported more than Japan, Italy and Spain to Sub-Saharan Africa, with exports to the region of \$6.9 billion in 2005, growing by 19.8 percent from 2004.

Africa's Economic Growth

According to the World Bank, the world economy accelerated in 2006 with an estimated 3.9 percent growth, compared to 3.5 percent growth in 2005. Despite high oil prices, high growth in developing economies helped fuel global economic growth.⁵ Developing country economies accelerated rapidly in 2006 growing by seven percent, compared to 6.6 percent in 2005. Strong GDP growth in China (in excess of 10 percent) and in India (of almost nine percent) contributed to much of the developing country growth. Even excluding China and India, developing countries grew by 5.5 percent.⁶

In 2006, Sub-Saharan African economies grew by an estimated 5.3 percent, which was lower than average developing country growth, but above average world growth. According to the World Bank, Sub-Saharan Africa has experienced growth in excess of five percent for three consecutive years.⁷



Country performance within Sub-Saharan Africa was broad-based with a third of the countries experiencing growth over five percent in 2006. According to the World Bank, “robust growth in the region reflects favorable international conditions and substantially improved domestic policy environment that has improved countries’ supply potential.”⁸

⁵ *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 2 (Washington, DC: World Bank, November 2006).

⁶ *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 2.

⁷ *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 56.

⁸ *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 57.

Growth in oil-exporting countries remained strong, falling slightly from seven percent in 2005 to 6.9 percent in 2006. Disruption of oil production in Chad and Nigeria helped to limit further growth acceleration among oil exporting countries.⁹ Due to the large relative size of the South African economy, economic growth in South Africa drives growth among oil importing countries and Sub-Saharan Africa as a whole. According to the International Monetary Fund (IMF), South Africa has accounted for over a third of the expansion of Sub-Saharan African GDP since 1980.¹⁰ While the World Bank estimates a slight slowdown in economic growth in Sub-Saharan Africa for 2006, this estimate might need to be revised upwards. Economic reporting from South Africa in February 2007, three months after the release of the World Bank data, shows a higher than expected increase in economic growth in South Africa¹¹ which could drive a higher than expected increase in economic growth in Sub-Saharan Africa as a whole.

Excluding South Africa, growth among oil importers in Sub-Saharan Africa remained stable at 4.7 percent in 2006. Growth among West African countries was relatively strong due to an agricultural recovery, a positive performance in the industrial sector, and strong exports. Growth in East Africa was weaker due to “drought related crop failures and a decline in hydro-based electrical production.”¹² High world mineral and metal prices have spurred growth in a few countries, including Guinea (aluminum), Namibia (diamonds), and Zambia (copper).¹³ The IMF also estimates that excluding Zimbabwe, inflation in Sub-Saharan Africa declined from 8.2 percent in 2005 to 6.9 percent in 2006. The IMF notes that “the inflationary impact of higher oil prices was contained by prudent macroeconomic policy.”¹⁴

Both the World Bank and IMF emphasize that the removal of textile and apparel quotas by World Trade Organization (WTO) members at the beginning of 2005 continued to cause a decline in value of African exports of these products to the United States and European Union due to increased competition from China.¹⁵ The World Bank notes, however, that China also represents a growing source of demand for African exports and this demand has also helped to increase world commodity prices further benefiting some African economies.¹⁶

The World Bank’s outlook for the short-term is positive, with projected economic growth in Sub-Saharan Africa of 5.3 percent in 2007 and 5.4 percent in 2008. Over the longer term, continued economic growth will depend on several factors including the possibility

⁹ *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 58.

¹⁰ *Regional Economic Outlook: Sub-Saharan Africa*, 15 (Washington, DC: International Monetary Fund, September 2006).

¹¹ Statistics South Africa Press Release, February 27, 2007; and *A Starry-eyed Surprise!*, Standard Bank Group Economics e-newsletter, February 27, 2007.

¹² *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 58.

¹³ *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 58; and *Regional Economic Outlook: Sub-Saharan Africa*, 14.

¹⁴ *Regional Economic Outlook: Sub-Saharan Africa*, 5.

¹⁵ *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 57; and *Regional Economic Outlook: Sub-Saharan Africa*, 6.

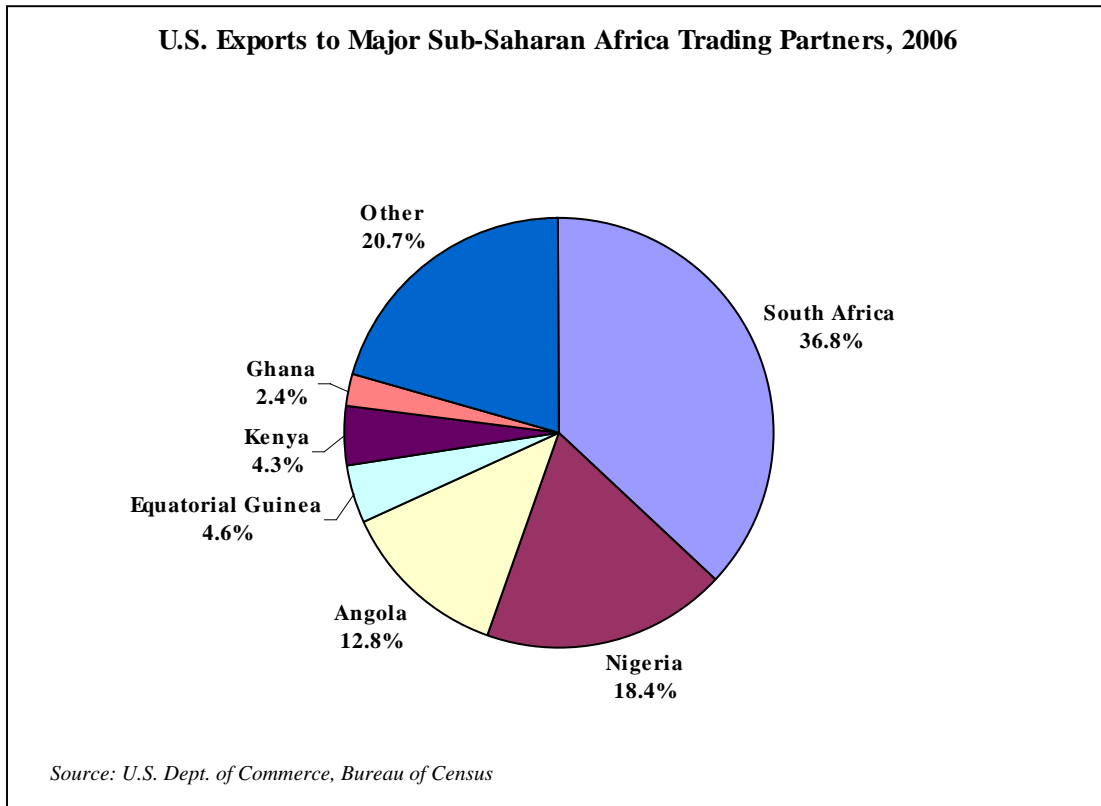
¹⁶ *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 57.

of drought, commodity prices (higher oil prices and/or lower non-oil commodity prices), macro- and micro-economic management, and political and social instability.¹⁷

¹⁷ *Global Economic Prospects 2006: Managing the Next Wave of Globalization*, 63-64; and *Regional Economic Outlook: Sub-Saharan Africa*, 22.

Leading U.S. Export Markets in Sub-Saharan Africa

U.S. exports to Sub-Saharan Africa remained highly concentrated among a small number of countries. The top three markets – South Africa, Nigeria, and Angola – remained the same from 2005 and accounted for 68.0 percent of U.S. sales in 2006, with South Africa claiming 36.8 percent, Nigeria 18.4 percent, and Angola 12.8 percent. South Africa's share declined slightly from 2005. Nigeria's share of U.S. exports grew due to an increase in U.S. exports of gas turbines and parts for oil field equipment, and Angola's increased, driven by a large increase in aircraft sales to the country. Equatorial Guinea's share rose due to an increase in the export of oil field equipment and parts to the country.



Leading U.S. Exports to Sub-Saharan Africa

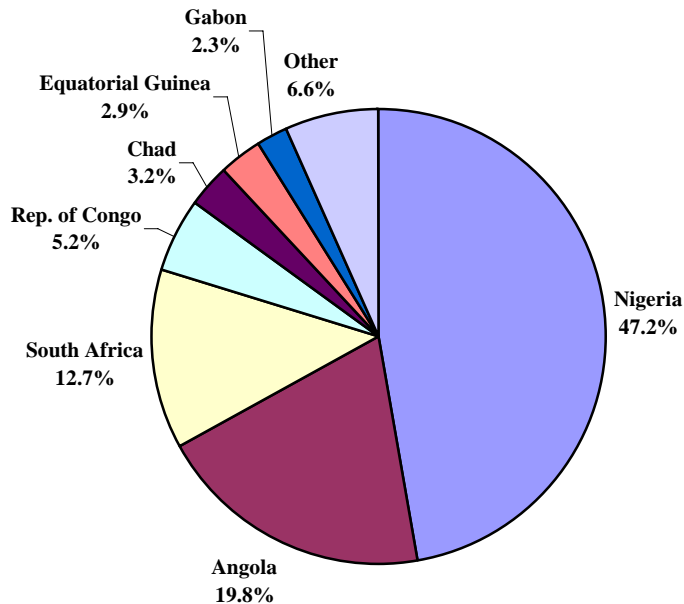
U.S. exports to Sub-Saharan Africa in 2006 remained concentrated in aircraft, infrastructure-related machinery, agricultural commodities, and motor vehicles. The top three U.S. exports in 2006 were aircraft and parts accounting for 11.5 percent of exports, oil and gas field machinery and equipment 10.7 percent, and motor vehicles 6.7 percent. Other leading export categories included: oilseeds and grains; construction and general purpose machinery; petroleum and coal products; industrial chemicals; engines, turbines, and power transmission equipment; communications equipment; and navigational, measuring, electromedical and control instruments.

<i>Leading U.S. Exports to Sub-Saharan Africa</i>	
<i>Item</i>	<i>2006 Export Value (\$ Millions)</i>
<i>Aircraft & Parts</i>	<i>1,398.4</i>
<i>Oil & Gas Field Machinery & Equipment</i>	<i>1,301.2</i>
<i>Motor Vehicles</i>	<i>808.4</i>
<i>Oilseeds & Grains</i>	<i>778.6</i>
<i>Construction Machinery</i>	<i>556.9</i>
<i>Petroleum & Coal Products</i>	<i>481.8</i>
<i>Industrial Chemicals</i>	<i>377.1</i>
<i>Engines, Turbines & Power Transmission Equipment</i>	<i>373.3</i>
<i>Communications Equipment</i>	<i>362.2</i>
<i>Other General Purpose Machinery¹</i>	<i>340.0</i>
<i>Navigational, Measuring, Electromedical & Control Instruments</i>	<i>307.5</i>
¹ Includes pumps and pumping equipment, air and gas compressors, and material handling equipment.	
Source: U.S. International Trade Commission DataWeb	

Leading Sub-Saharan African Suppliers to the United States

U.S. imports from Africa remained highly concentrated among a small number of suppliers. Four countries – Nigeria, Angola, South Africa, and Republic of Congo – accounted for 84.9 percent of U.S. purchases in 2006. The share of imports from both Angola and South Africa increased, while Nigeria's share decreased slightly. Oil imports from Angola and platinum, diamond, iron and steel, and vehicle imports from South Africa accelerated faster than oil imports from Nigeria. The Republic of Congo's share of U.S. imports also increased with a large increase in oil imports from the country, while Gabon's share declined as oil imports from the country declined.

U.S. Imports from Major Sub-Saharan Africa Trading Partners, 2006



Source: U.S. Dept. of Commerce, Bureau of Census

Leading U.S. Imports from Sub-Saharan Africa

Oil imports (crude and non-crude) continued to dominate imports from Sub-Saharan Africa with \$47.1 billion in oil imports in 2006, accounting for 79.6 percent of all U.S. purchases. Platinum remained the second leading U.S. import with a 4.6 percent share. With continued declines in woven and knit apparel imports, diamonds moved from fourth to third leading U.S. import, accounting for 2.3 percent of purchases. Woven and knit apparel contributed 2.2 percent, petroleum gases and other gases 1.7 percent, iron and steel 1.3 percent, cocoa 0.93 percent, and motor vehicles and parts 0.86 percent.

<i>Leading U.S. Imports from Sub-Saharan Africa</i>	
<i>Item</i>	<i>2006 Import Value (\$ Millions)</i>
<i>Oil (Crude & non-Crude)</i>	<i>47,125.4</i>
<i>Platinum</i>	<i>2,694.3</i>
<i>Diamonds</i>	<i>1,360.8</i>
<i>Woven & Knit Apparel</i>	<i>1,291.7</i>
<i>Petroleum Gases & Other Gases</i>	<i>984.1</i>
<i>Iron and Steel</i>	<i>751.2</i>
<i>Cocoa</i>	<i>549.4</i>
<i>Motor Vehicles and Parts</i>	<i>506.4</i>
<i>Source: U.S. Dept. of Commerce, Bureau of Census</i>	

U.S. Direct Investment in Africa

While the volume of foreign direct investment (FDI) into Sub-Saharan Africa continues to trail other regions, FDI inflows in 2005 experienced impressive growth from 2004. According to the United Nations *World Investment Report of 2006*, inflows of FDI to Sub-Saharan Africa from all sources in 2005 were \$20.2 billion, which represented a 58.1 percent increase from 2004 inflows of \$12.8 billion. The \$5 billion acquisition of the Amalgamated Bank of South Africa (ABSA) by Barclays Bank of the United Kingdom caused a large portion of this growth.¹⁸ If FDI inflows for South Africa are excluded in 2005, inflows increased by a more moderate 15.4 percent. This growth is still significant, however, since FDI inflows to Sub-Saharan Africa had decreased by 11.6 percent from 2003 to 2004.

According to the *World Investment Report of 2006* (the Report), the majority of inflows occurred in the oil and gas sector, as well as in mining, sparked by high commodity prices and a rise in corporate profits. Significant investment also occurred in services from the United Kingdom, the United States, South Africa, China, Brazil, and India.¹⁹ The composition of services investment shifted in 2005 from investment resulting from privatization to investment into private sector entities in the finance, transport, storage, and communications sectors.²⁰ The report also attributes the growth of FDI flows to the continued liberalization of the investment environment in several African countries. The Report highlights the continued trend towards privatization, especially in utilities, telecommunications, and tourism, as well as tax system reforms and the setting up of “one-stop-shops” to facilitate the entry of investment into a country.²¹ The Report cautioned against the continued proliferation of bilateral investment treaties, double taxation treaties, and regional trade agreements in Sub-Saharan Africa since the existing treaties have already “created an overlapping multiplicity of agreements.”²²

FDI inflows to the least developed countries (LDCs) of Africa increased by 10.3 percent in 2005, which was in line with a growth of 10.8 percent in FDI inflows to LDCs worldwide. FDI inflows to Sub-Saharan Africa represented 2.2 percent of worldwide FDI inflows in 2005 and 6.1 percent of inflows to developing countries, a slightly larger share in each case than in 2004.

The largest recipients of global FDI inflows included South Africa with \$6.4 billion, Nigeria with \$3.4 billion, Sudan with \$2.3 billion, Equatorial Guinea with \$1.9 billion, and the Democratic Republic of Congo with \$1.3 billion. The FDI inflows to these countries remained concentrated in the petroleum sector, except for South Africa where the inflows were more diversified.²³ South African inflows in 2006 will likely show a

¹⁸ *World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development* (New York and Geneva, Switzerland: UNCTAD 2006), p. 41.

¹⁹ *World Investment Report 2006*, p. 40.

²⁰ *World Investment Report 2006*, p. 46.

²¹ *World Investment Report 2006*, p. 46.

²² *World Investment Report 2006*, p. 49.

²³ *World Investment Report 2006*, pp. 42; 44.

decline in the absence of another large deal to match the one between ABSA and Barclays in 2005.²⁴

The Report highlights that while Europe and the United States continued to supply the majority of FDI into Sub-Saharan Africa, FDI from China and other Asian countries increased, especially in the oil and telecom industries.²⁵ The Report notes that India and Malaysia are the leading Asian investors, followed by the Republic of Korea, China, and Taiwan. Chinese investors, however, had the lead among other Asian countries in greenfield investments in African countries.²⁶

The Report concludes that the prospects for continued growth in FDI inflows into Sub-Saharan Africa are positive in 2006, with cross-border mergers and acquisitions already rapidly increasing in the first half of the year compared to the same period in 2005. Rapid increases in global commodity prices will continue to play an integral role in stimulating FDI into the region, especially in the oil sector.²⁷

At year-end 2005, the U.S. direct investment position²⁸ in Sub-Saharan Africa was \$14.8 billion, 16.0 percent above the position at year-end 2004. Increases in the investment position in Equatorial Guinea, Angola, Liberia, Mauritius, and South Africa more than offset the decrease in the investment position in Nigeria. (The direct investment position is a measure of the *stock* of FDI, as opposed to *flows*.)

- Equatorial Guinea (\$4.6 billion), South Africa (\$3.6 billion), Angola (\$1.4 billion), Chad (\$989 million), Nigeria (\$874 million), Mauritius (\$586 million), and Liberia (\$407 million) combined to account for 84.6 percent of the U.S. direct investment position in Sub-Saharan Africa.
- Sub-Saharan Africa accounts for less than one percent of the U.S. direct investment position worldwide.

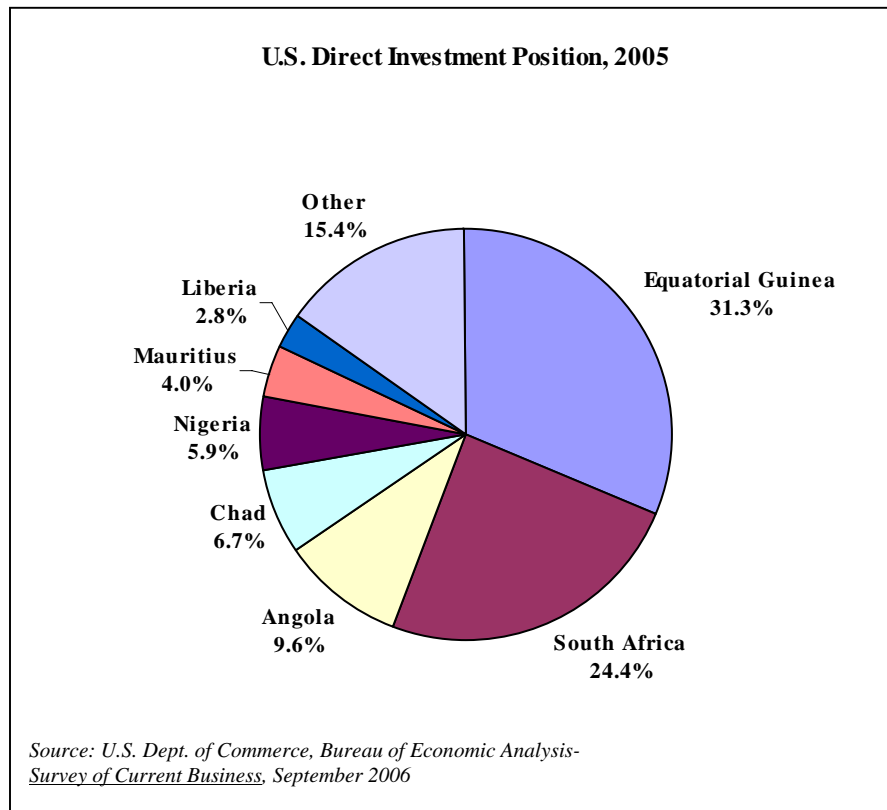
²⁴ *World Investment Report 2006*, p. 50.

²⁵ *World Investment Report 2006*, p. 42.

²⁶ *World Investment Report 2006*, p. 43.

²⁷ *World Investment Report 2006*, p. 49.

²⁸ The U.S. direct investment position is on an historical cost (book value) basis and according to the *Survey of Current Business* is “principally derived from the books of the foreign affiliate and generally reflect[s] the acquisition cost of the investment, cumulative reinvested earnings, and cumulative depreciation of fixed assets ... The position also includes cumulative capital gains and losses of the foreign affiliate.” The *Survey of Current Business* defines a foreign affiliate as “a foreign business enterprise in which a single U.S. investor (a U.S. parent) owns at least 10 percent of the voting securities, or the equivalent.” The source for the U.S. direct investment position abroad is the *Survey of Current Business*, September 2006 – U.S. Department of Commerce, Bureau of Economic Analysis.



According to the November 2006 *Survey of Current Business* (U.S. Department of Commerce, Bureau of Economic Analysis), U.S. affiliated companies in Africa in 2004 reported estimated total assets of \$78.6 billion, including \$15.6 billion in Nigeria and \$12.1 billion in South Africa. U.S. affiliates in Africa attained worldwide sales of \$44.9 billion, and net income of \$6.8 billion.

U.S. direct investment in Africa supports U.S. trade with the region and fuels American industry. In 2004, \$1.7 billion of U.S. merchandise exports were shipped to U.S. affiliates in Africa. The United States imported \$2.4 billion of goods from U.S. affiliates in Africa.²⁹

²⁹ Figures for foreign affiliates include data for Libya, Tunisia and Morocco. The *Survey of Current Business* lists Egypt, Nigeria and South Africa separately, but totals the rest of Africa (including North Africa) together.